

1997 SMALL BUSINESS PROFILE

SMALL BUSINESS: BACKBONE OF THE OHIO ECONOMY

The importance of small business to the state of Ohio is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

Number of Businesses - In 1996, Ohio had 225,489 businesses with employees; 98.4 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 308,000 self-employed persons in 1996, for an estimated total of 533,489 businesses.

Small Business Income - The income of sole proprietors and partners rose 5.0 percent to \$16.3 billion in 1996, while wage-and-salary income rose 5.0 percent. Total personal income rose 5.0 percent to \$168.4 billion. The state also exported \$22.6 billion of goods in 1996.

Minority Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 305,900 women-owned businesses in Ohio, including part-time firms, employing 739,300 people and generating \$74.8 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 82.5 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 42.0 percent from 1987 to 1992, totaling 22,690 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 115.6 percent during the same time period with 4,289 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 4,011 in 1987, to 7,146 in 1992, representing a 78.2 percent increase.

Business Turnover - The number of new firms decreased 4.6 percent, while new business incorporations decreased 1.6 in 1996. Financial difficulties leading to business bankruptcies increased by 1.2 percent and business failures increased by 6.2 percent during 1996.

Finance - An SBA Office of Advocacy study found that the number of banks in Ohio was unchanged from 259 in 1994 to 259 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

| Bank Name | Location |
|---------------------------|--------------|
| PEOPLES BKG CO | Findlay |
| FIRST BK OF MARIETTA | Marietta |
| SUTTON ST BK | Attica |
| NEW RICHMOND NB | New Richmond |
| FIRST NB OF PANDORA | Pandora |
| NATIONAL B&TC | Wilmington |
| FIRST NB OF SHELBY | Shelby |
| UNIBANK | Steubenville |
| KILLBUCK SVG BK CO | Killbuck |
| CITIZENS BKG CO | Salineville |
| FIRST NB SOUTHWESTERN OH | Hamilton |
| SECOND NB OF WARREN | Warren |
| FIFTH THIRD BK WESTERN OH | Piqua |
| KEYBANK NAT ASSN | Cleveland |

Job Growth - Small businesses created all of the net new jobs from 1992 to 1996. Very small businesses (less than 20 employees) represented 68.7 percent of the small business growth with 286,901 new jobs. These numbers clearly reflect the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

| Industry | 1-4 | 5-19 | 20-99 | 100-499 | 500+ | Totals |
|----------------|---------|--------|--------|---------|----------|---------|
| All Industries | 201,395 | 85,506 | 46,231 | 84,189 | (69,209) | 348,113 |
| Manufacturing | 6,880 | 12,940 | 13,365 | 30,733 | (9,928) | 53,991 |
| Retail Trade | 46,823 | 6,126 | 6,342 | 2,538 | (22,176) | 39,653 |
| Services | 98,569 | 40,944 | 18,200 | 32,648 | (41,805) | 148,554 |
| Other | 49,124 | 25,496 | 8,324 | 18,269 | 4,702 | 105,914 |

Industries - The composition of small business in Ohio is very diverse. The Health Services industry is the largest small business employer in Ohio, followed by Eating & Drinking Places. The fastest growing industry for small business is Lumber & Wood Products, Except Furniture (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1994, the latest year available.

Table 1, Top Five Industries in Ohio by Employment, 1994

| Industry | SIC | Employment Total | Percent of Total | Percent Small |
|---|------|---------------------|---------------------|------------------|
| Total - All Industries | -- | 4,384,853 | 100.0 | 50.8 |
| Health Services | 8000 | 503,011 | 11.5 | 43.8 |
| Eating & Drinking Places | 5800 | 334,545 | 7.6 | 61.2 |
| Business Services | 7300 | 269,933 | 6.2 | 46.1 |
| Wholesale Trade - Durable Goods | 5000 | 175,927 | 4.0 | 71.3 |
| Industrial & Commercial Machinery & Computer Equipment | 3500 | 150,258 | 3.4 | 51.2 |

Table 2, Top Five Small Business Industries in Ohio by Employment, 1994

| Industry | SIC | Employment in firms with 0 - 499 employees | Percent of Total | Percent Small |
|---------------------------------|------|--|---------------------|------------------|
| Total - All Industries | -- | 2,228,246 | 100.0 | 50.8 |
| Health Services | 8000 | 220,509 | 11.5 | 43.8 |
| Eating & Drinking Places | 5800 | 204,770 | 7.6 | 61.2 |
| Wholesale Trade - Durable Goods | 5000 | 125,409 | 4.0 | 71.3 |
| Business Services | 7300 | 124,455 | 6.2 | 46.1 |
| Special Trade Contractors | 1700 | 112,208 | 2.7 | 94.1 |

Table 3, Fastest Growing Industries for Small Business in Ohio, 1993 - 1994

| Industry | 1993 | 1994 | Amount Change | Percent Change |
|--|-----------|-----------|------------------|-------------------|
| Total - All Industries | 2,190,173 | 2,228,246 | 38,073 | 1.7 |
| Lumber & Wood Products, Except Furniture | 12,983 | 14,507 | 1,524 | 11.7 |
| Apparel | 6,022 | 6,681 | 659 | 10.9 |
| Insurance Agents, Brokers, & Service | 20,503 | 22,280 | 1,777 | 8.7 |
| Paper & Allied Products | 9,695 | 10,518 | 823 | 8.5 |
| Automotive Repair, Services, & Parking | 31,482 | 33,790 | 2,308 | 7.3 |

Sources: Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation of Women Business Owners, and Cognetics Inc.